

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Rev. & Tax. Committee Analyst: Roger Lackey Bill Number: AB 2895
Related Bills: See Legislative History Telephone: 845-3627 Introduced Date: 03-09-2000
Attorney: Patrick Kusiak Sponsor: Franchise Tax Board

SUBJECT: LAMBRA & MEA Employer Hiring Credit Vouchering Requirement

SUMMARY

This Franchise Tax Board sponsored bill would amend the Local Agency Military Recovery Areas (LAMBRA) and the Manufacturing Enhancement Areas (MEA) hiring credit statutes to be consistent with the existing Enterprise Zone and Targeted Tax Area (TTA) statutes to require taxpayers to obtain a voucher for new employees as a condition to claiming those credits.

EFFECTIVE DATE

This bill would be effective January 1, 2001, and specifies that it would apply to qualified disadvantaged individuals and qualified displaced employees hired on or after January 1, 2001.

LEGISLATIVE HISTORY

SB 2176 (2000) contains an identical provision.

PROGRAM HISTORY/BACKGROUND

California has four types of economic development areas (EDA) that have similar tax incentives:

- Ⓢ Enterprise Zones,
- Ⓢ Local Agency Military Base Recovery Areas,
- Ⓢ Targeted Tax Area (TTA), and
- Ⓢ Manufacturing Enhancement Areas

SPECIFIC FINDINGS

Under existing state law, taxpayers operating in any of the EDAs are allowed a hiring credit for employing "qualified employees." "Qualified employees" for all EDAs generally are defined by reference to various state and federal public assistance programs.

Existing enterprise zone and TTA statutes require taxpayers to obtain vouchers

Board Position:

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Department Director

Date

Alan Hunter for GHG

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for new employees as a condition of the hiring credit. The voucher is issued by a federal or state agency familiar with the various public assistance statutes and certifies that the prospective employee is qualified for or is receiving one of the specified forms of public assistance. **Existing LAMBRA and MEA statutes** do not require taxpayers to obtain a voucher to be eligible for the hiring credit.

This bill would amend the LAMBRA and the MEA hiring credit statutes to be consistent with the existing enterprise zone and TTA statutes to require taxpayers to obtain a voucher for new employees as a condition to claiming those credits.

Policy Considerations

In amending the LAMBRA & the MEA hiring credit statutes to be consistent with the other economic zones, this bill would simplify the administration of economic zones, since all economic zones that are eligible for a hiring credit would require the taxpayers to obtain a voucher for new employees.

Implementation Considerations

Since the Trade and Commerce Agency (TCA) already administers the LAMBRA and MEA programs as though there were a vouchering requirement for the hiring credit, implementing this bill would not significantly affect the department's programs and operations.

FISCAL IMPACT

Departmental Costs

This bill would not impact the department's costs.

Tax Revenue Estimate

This bill would not impact the state's income tax revenue.

BOARD POSITION

Support.

On December 16, 1999, the Franchise Tax Board voted to sponsor the language contained in this bill.